

**COMMONWEALTH OF KENTUCKY FISCAL NOTE STATEMENT  
LEGISLATIVE RESEARCH COMMISSION  
2020 REGULAR SESSION**

**MEASURE**

2020 BR NUMBER 1424

HOUSE BILL NUMBER 332

**TITLE** AN ACT relating to broadband services.

**SPONSOR** Representative Phillip Pratt

**FISCAL SUMMARY**

STATE FISCAL IMPACT: ☒ YES ☐ NO ☐ UNCERTAIN

OTHER FISCAL STATEMENT(S) THAT MAY APPLY: ☐ ACTUARIAL ANALYSIS  
☒ LOCAL MANDATE ☐ CORRECTIONS IMPACT ☐ HEALTH BENEFIT MANDATE

APPROPRIATION UNIT(S) IMPACTED: Kentucky Communications Network Authority,  
Appropriations Not Otherwise Classified, and Judgments

FUND(S) IMPACTED: ☒ GENERAL ☐ ROAD ☐ FEDERAL ☒ RESTRICTED Kentucky  
Communications Network Authority Fund

FISCAL ESTIMATES	2019-2020	2020-2021	2021-2022	ANNUAL IMPACT AT FULL IMPLEMENTATION
REVENUES				(\$25,000,000 to \$50,000,000)
EXPENDITURES		Indeterminable	Indeterminable	Indeterminable
NET EFFECT		(Indeterminable)	(Indeterminable)	(Indeterminable)

( ) indicates a decrease/negative

**PURPOSE OF MEASURE:** The measure limits the Kentucky Communication Network Authority’s ability to offer wholesale access of the KentuckyWired system’s excess capacity only to private entities in unserved areas.

**FISCAL EXPLANATION:** Federal Communications Commission data supports that there are no “unserved [geographical] areas” in the Commonwealth without access to “broadband service” with “eligible entities” to receive wholesale access from the KentuckyWired system, as defined in this measure. The KentuckyWired project model is predicated on the generation of revenue through the wholesale of excess network capacity to last mile internet service providers. Thus, the constraints of this measure would eliminate all projected revenue from the wholesale component of the project. The Commonwealth is responsible for ongoing availability payments, debt obligations, contractual obligations, and operational costs of the network, all for which the wholesale revenue was envisioned to offset.

Given current market conditions and factors for wholesale income potential, Kentucky Communications Network Authority estimates that the measure could result in \$500,000,000 to \$1,000,000,000 in foregone income through the life of the project (i.e. 2045). Wholesale revenue is currently forecasted to be realized as soon as 2025, resulting in \$25,000,000 to \$50,000,000 in revenue lost for each fiscal year after

wholesale access is available. Furthermore, legal action in relation to contract infringements with the Authority's wholesaler could begin immediately upon passage of the measure. Potential costs of litigation, judgments, and claims are indeterminable, but may arise and pose potential liabilities to the General Fund as early as Fiscal Year 2021.

**DATA SOURCE(S): LRC Staff, Kentucky Communications Network Authority, and Federal Communications Commission**

**PREPARER: Liz Columbia NOTE NUMBER: 151 REVIEW: JAB DATE: 2/21/2020**